

SENATE BILL REPORT

SHB 2402

As of February 18, 2010

Title: An act relating to a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Brief Description: Concerning a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Sponsors: House Committee on Finance (originally sponsored by Representatives White, Rolfes, Armstrong, Haler, Nelson, Roberts, Maxwell, Dickerson, Crouse, Jacks, Walsh, Wallace, Sells, Ormsby, Kenney, Williams, Blake, Chase, Morris, Campbell, Appleton, Carlyle, Conway, Bailey, Hope and Haigh).

Brief History: Passed House: 2/12/10, 97-0.

Committee Activity: Agriculture & Rural Economic Development: 2/22/10.

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Staff: Sam Thompson (786-7413)

Background: All property in Washington is subject to property taxation unless specifically exempt. Exemptions are narrowly construed.

Up to one acre of land owned by a nonprofit organization to operate a public assembly hall or meeting place is exempt from property taxation, as long as the property is used exclusively for public gatherings and is available for use by all organizations or persons.

Generally, use for business activities nullifies this exemption. However, the exemption is not nullified by:

- collection of rent or donations, if funds are used for capital improvements, maintenance and operation, or exempt purposes;
- fund-raising activities conducted by a nonprofit organization;
- use for business activities for not more than 15 days annually, if income is used for capital improvements, maintenance and operation, or exempt purposes;
- in counties with fewer than 20,000 people (currently ten of 39 Washington counties), business use for dance lessons, art classes, or music lessons; and
- inadvertent nonexempt use, if not part of a pattern of use.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

It is suggested that the exemption should not be nullified by use by farmers markets.

Summary of Bill: Nonprofit organizations operating public assembly halls or meeting places are permitted to retain their exemption from property taxation if used by qualifying farmers markets for not more than 53 days each assessment year. Income from rental or use by qualifying farmers' markets must be used for capital improvements, maintenance and operation, or exempt purposes.

A qualifying farmers market is an entity that sponsors a regular assembly of vendors at a defined location for promoting sale of agricultural products grown or produced in Washington directly to the consumer and:

- at least five vendors are farmers selling their own agricultural products;
- total gross annual sales of farmer vendors exceeds total gross annual sales of processor or reseller vendors;
- total gross annual sales of farmer, processor, or reseller vendors exceeds total gross annual sales of other vendors;
- sale of imported items and secondhand items is prohibited; and
- no vendor is a franchisee.

The bill applies to taxes levied for collection in 2011 through 2020. The property tax exemption expires December 31, 2020.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.